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DIRECTORATE OF
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WEEKLY SUMMARY

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(Information as of noon EDT, 16 May 1968)

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Bermuda's general elections on 22 May, the first since suffrage was extended to all citizens over 21, offer the Negro majority an opportunity for a greater voice in the 40-member National Assembly.

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FAR EAST

In the opening sessions of the Paris talks, Hanoi's representatives tried to project an image of confidence and superior bargaining strength. They avoided delays and wrangling over procedural details in order to focus the talks promptly on their key demand for a complete and unconditional cessation of bombing. They also sought to convey a business-like approach by refraining from ultimatums and deadlines.

Chief negotiator Xuan Thuy, however, concentrated on establishing the point that the future of the talks hinges on US acceptance of Hanoi's "primordial and most pressing" demand for a "definitive and unconditional" cessation of bombing and all other acts of war against North Vietnam. He denounced the idea of reciprocal restraint in exchange for an end to the bombing, but did not rule it out categorically.

The Saigon government attempted to counter this thrust and to influence the US position by renewing its insistence that there should be no cessation of bombing until North Vietnamese infiltration into the South ends under effective controls. On the political front, President Thieu was expected to announce the appointment of Tran Van Huong as the new prime minister soon. The delay in this cabinet reshuffle was caused both by the Communist attack on Saigon and by the uneasiness of Vice President Ky and the senior generals over the prospect of increased civilian influence at their expense.

The fighting in Saigon proper subsided this week and most Communist forces withdrew. They apparently intend to dig in close to the city, however, and new assaults may come at any time.

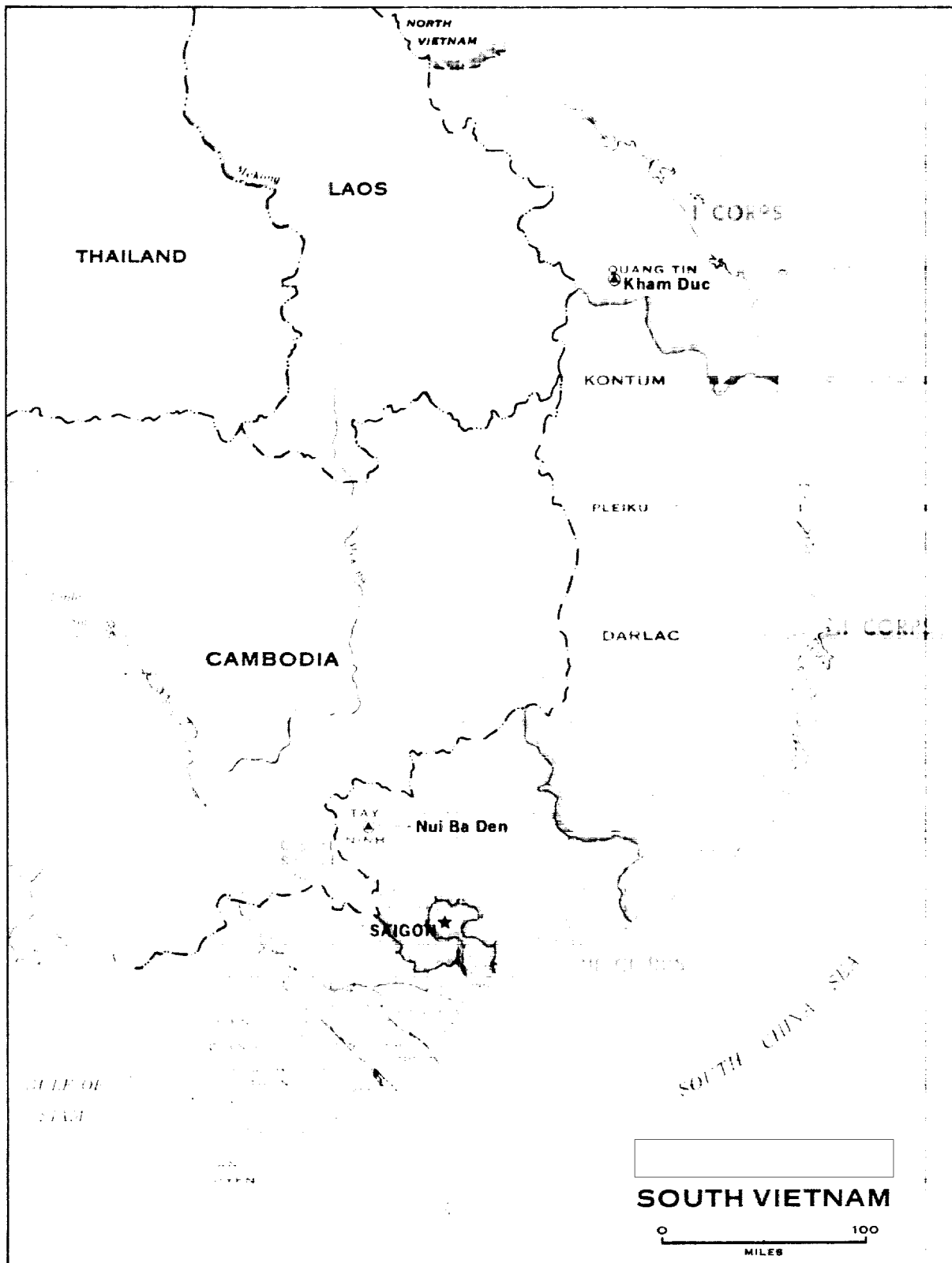
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Uncertainty over the implications of the Paris talks and the long-term course of US policy in Asia was reflected in statements by Laotian leaders. Souvanna Phouma apparently is seeking to re-establish his standing as a neutralist by publicly emphasizing his commitment to the neutrality of Laos and by refuting charges that he is inextricably tied to the US. In a gesture to Hanoi, Souvanna's National Day speech omitted denunciations of North Vietnamese aggression in Laos which he has constantly stressed over the past year.

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VIETNAM

In the first week of the Paris talks, Hanoi's representatives moved quickly to focus attention on the question of a cessation of US bombing and all other acts of war. They refrained from wrangling over procedural matters and tried to project a reasonable attitude by avoiding harsh polemical language. Chief negotiator Thuy's opening statement repeated Hanoi's long-standing positions, but put them in less categorical language than is frequently used in North Vietnamese propaganda.

Thuy's relatively restrained tone was not matched by the domestic output of the North Vietnamese press. The main party daily on 12 May used Hanoi's harshest terms to outline the North Vietnamese position on the bombing issue. The newspaper called for a "definitive and unconditional" cessation, specifying that "all other acts of war" included not only reconnaissance flights and leaflet drops, but also naval gunfire, artillery firing across the Demilitarized Zone, and "sabotage activities."

Xuan Thuy's statement on 15 May picked up the same language to describe Hanoi's demands for a full cessation of the bombing and other acts of war. He retained some flexibility on the issue of military reciprocity, saying only that the US has "no right to demand a price" for a bombing halt. Xuan Thuy stressed

that such a halt is the first requirement "for a peaceful settlement," and he "recalled" that the initial purpose of the talks is to reach agreement on this issue. He did not make an immediate bombing halt a condition for continuing the talks, however. The North Vietnamese stance so far suggests they do not want the talks to break down over the bombing issue.

Hanoi's plans for its new Communist front group in South Vietnam--the National Alliance--are becoming clearer. The Alliance apparently is to be introduced into the negotiation's along with the Liberation Front when South Vietnamese issues come up. The Communists may intend for the Alliance to serve as an umbrella under which various southern groups and individuals can be assembled to act as the "true spokesmen" for the South Vietnamese people.

The Ground War in the South

The Communist's second "general offensive" of 1968, which was launched on 4-5 May, began to run out of steam this week. Allied reaction forces have driven back attacking enemy forces from the capital city of Saigon and in key areas of the northernmost provinces. Nevertheless, some enemy main force units have launched new strikes at several allied strongpoints while others are completing preparations for possible combat.

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In the western highlands provinces of Kontum, Pleiku, and Darlac, the long-anticipated enemy campaign may have begun in midweek when Communist artillerymen shelled several provincial capitals and allied military positions.

Although most enemy forces have now withdrawn from Saigon, the Communists still pose a se-

rious threat and could renew heavy attacks at any time. Mortar and rocket harassment of military installations and airfields in the area is expected to continue while the Communists possibly prepare for new ground attacks.

There has been increasing evidence to support earlier speculation that Communist military forces in South Vietnam are tailoring some of their military actions to affect the Paris talks. Captured documents and prisoner interrogations have made increasing reference to attacks that could strengthen the position of the Communist representatives at Paris.

In this sense, the Communist may well consider the latest military campaign a success, even though at considerable cost to themselves. For example, the number of allied soldiers killed last week--562 Americans and 607 South Vietnamese--was the highest for any week of the war to date. Although total over-all allied casualties were not record setting, this heavy death toll may be exploited by the Communists, even though their own losses of 5,552 men killed were the heaviest suffered in a single week since their record casualties sustained during the Tet offensive earlier this year.

South Vietnam to Have New Premier

After much deliberation, President Thieu hopes to announce

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the replacement of Prime Minister Loc and several cabinet members by the end of this week. The delay has been caused in part by the renewed Viet Cong attacks on Saigon. A more important reason, however, has been the apparent uneasiness of Vice President Ky and the senior generals over the possibility of increased civilian control at their expense. Tran Van Huong is still slated to be the new prime minister barring any last-minute military opposition. He reportedly would bring other prominent politicians into the cabinet.

The Lower House finally passed a watered-down version of the general mobilization bill after several days of debate. The bill provides for the drafting into the armed forces of

males in the 18-38 age group and requires that males 16-17 and 39-50 years of age join the people's self-defense force, but contains no penalties for infractions. It fails to grant specific authority to the government to requisition public and private property, stipulating that there is sufficient authority under existing statutes.

The bill does authorize the executive to organize and administer the self-defense force by decree. The government is already pushing ahead in this field. On 11 May, several thousand students, who had been armed and organized into a "Capital Protection Division," were dispatched to man defensive positions on the outskirts of Saigon.

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DISORDERS NOT ENDED BY CHINA'S NEW PROVINCIAL REGIMES

25X1 Sporadic but violent clashes, often between armed groups, are still occurring in many areas of China, [REDACTED]

25X1 Minor clashes between "revolutionary" factions and unruly demonstrations continue to be widely reported even in provinces that have already established "revolutionary committees." In general, however, fighting is heaviest in the six provinces where these new bodies have not yet been set up. Apparently, top leaders in Peking are having considerable difficulty reaching agreement on who is to run these provinces.

These are all hard-core problem areas where factions have been fighting each other, sometimes savagely, throughout the Cultural Revolution. They also seem to be run by military men who may not be entirely trusted by Peking. Recent speeches by Peking leaders, as quoted in Red Guard newspapers, have been critical of commanders in at least four of the six provinces.

According to an April newspaper, the military in Yunnan Province is divided, and each faction has sent representatives to Peking to confer with top leaders. They are said to be studying a directive, issued by Mao and the central committee in

February, instructing military units on how to correct political errors and overcome "factionalism."

Delegations from all six provinces have been in Peking since at least February, while top officials try to hammer out new leadership lists for their areas. On 13 May, Peking radio expressed the hope that new committees would be formed in these six provinces "as soon as possible."

Deadlines like these have seldom been met, however. Last fall, Mao Tse-tung ordered committees to be formed in all provinces by the end of the year or by the Chinese New Year at the latest, but the job was less than half completed by the end of January. In late March, a target date of 1 May was widely publicized but only four of the 11 remaining provinces made that deadline.

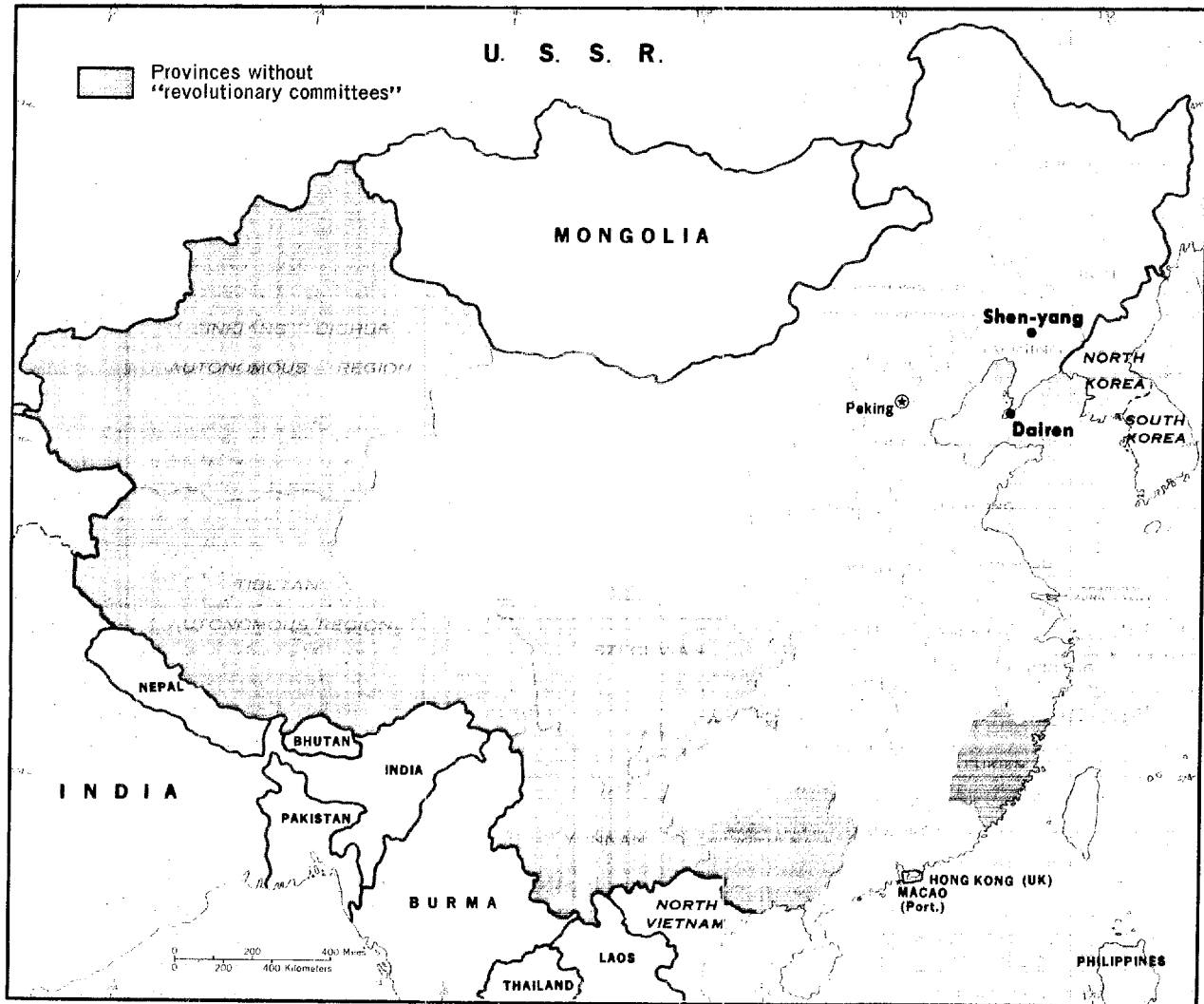
It appears that the existence of disorders is no obstacle to the formation of a new "revolutionary committee." Fighting was very heavy in parts of Liaoning Province just before a committee was established there on 10 May. [REDACTED]

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COMMUNIST CHINA



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The chairman of the Liaoning committee is the controversial commander of the Shen-yang Military Region, Chen Hsi-lien. Chen has been denounced repeatedly by militant Red Guard groups, who have staged many unruly demonstrations against him this year in Shen-yang. Apparently they have continued to contest Peking's decision to confirm their long-time enemy as chairman of the new committee. If this is the case, it would imply that Chen Hsi-lien has not been empowered to take firm measures against them.

Last month, Mao Tse-tung's nephew, Mao Yuan-hsin, who has been playing an unobtrusive but apparently important role in the Cultural Revolution group, told representatives of

a Red Guard faction from Liaoning that they deserved to be criticized for some of their actions but he assured them that the center considered them on the whole to be a good "revolutionary" group. Inasmuch as Mao Yuan-hsin showed up on the new Liaoning committee--his public introduction to Chinese politics--he presumably will be in a position to protect groups he favors in Shenyang.

As was the case in Shensi when a committee was formed there on 1 May, Liaoning has failed to resume broadcasting of local news and still replays only Peking-originated items. Both provinces have done this for more than a year, and the continuation of the practice means they have been unable to broadcast accounts of inaugural ceremonies. "Local blackouts" of this kind were ordered by Peking last year wherever factional conflicts were serious, but all other provinces resumed local broadcasting at least several days before they acquired committees.

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COMMUNIST DRIVE IN NORTH LAOS TEMPORARILY STALLED

The Communists' annual dry-season offensive is moving into its last stages but the push against the important government guerrilla base at Na Khang appears to have stalled.

With the support of stepped-up US air strikes, government troops have recently reoccupied a number of outlying defensive positions lost to the enemy in early May. Enemy pressure against the base's defenses has eased and the Communists have thus far been unable to bring the vital airstrip under fire.

The Communist build-up against Na Khang is continuing, however. Construction is moving ahead on a road that will facilitate the movement of heavy artillery and supplies into the immediate area, and there are reports that fresh troops are being moved in to reinforce the four Communist battalions already deployed against the base.

In Vientiane, Prime Minister Souvanna, apparently in an effort to re-establish his creden-

tials as a neutralist, has taken advantage of recent opportunities to express his continuing commitment to the neutrality of Laos and to refute charges that he is inextricably tied to the US.

Souvanna responded favorably to Yugoslav President Tito's invitation to attend a proposed conference of nonaligned nations, citing the benefits to Laos' "international image." In addition, he made a small conciliatory gesture toward Hanoi. His National Day speech on 11 May was moderate in tone, and in sharp contrast to last year, did not mention North Vietnamese aggression in Laos.

These steps almost certainly reflect the uneasiness in Vientiane generated by the talks in Paris. Souvanna no doubt believes that his increasingly close identification with US policy in Indochina over the past several years may be circumscribing his ability to maneuver.

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EUROPE

Moscow increased its pressures on Prague this week, even as some possibly unexpected side effects of its saber rattling were becoming evident elsewhere in Eastern Europe.

Rumania and Yugoslavia have drawn together in support of the Czechoslovaks, evoking memories of the once-influential "Little Entente." Yugoslav Foreign Minister Nikezic, on his arrival in Prague for a sudden visit on 13 May, voiced his government's "special interest and sympathies" for Czechoslovakia.

Rumanian party chief Ceausescu is to visit Tito later this month, probably to review the situation and to consider how best they might influence coming events in Eastern Europe. The Rumanians also are presumably uneasy about the implications for themselves of Moscow's handling of the Czechoslovak case, and wish to make a special point of their close relations with Belgrade.

Polish leader Gomulka, visiting Hungary to sign a friendship treaty, presumably is also holding council on the course of events in Czechoslovakia. Hungary has supported the new Prague regime, in sharp contrast to the bitter attacks by Poland and East Germany.

De Gaulle has indirectly bestowed cautious approval upon Czech developments with his public declaration in Bucharest that "no European nation should submit to a shameful effacement of national sovereignty." He carefully balanced this statement, however, by suggesting that a number of factors make it necessary for Eastern European countries to maintain special relations with their neighbors, especially Russia.

In NATO the British announced their intention to detail a mobile task force of 20,000 men to the alliance, as well as an amphibious force for use in the Mediterranean theater.

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SOVIET UNION THREATENS TO INTERVENE IN CZECHOSLOVAKIA

Moscow placed Czechoslovakia under the threat of military intervention last week, evidently fearing that Dubcek, who had talked with the Soviet leaders on 4 and 5 May, was not going to be able to control liberal extremists in Prague.

The Soviet pressure began to build up on 7 May when TASS attacked the Czechoslovak press for alleging Soviet involvement in the death of former foreign minister Masaryk. The TASS item has been followed by a series of Soviet press attacks on Czechoslovak liberals.

The goals and the degree of Soviet pressure on Prague seem to be limited, however, and for the time being suggest that the Soviets do not intend actually to intervene in Czechoslovakia. The troop movements seem instead to be an exercise in psychological warfare, and the pressure is being continued.

Throughout the period of the Soviet military moves, there has been no discernible reaction by the Czechoslovak armed forces.

The Soviets have so far made no public attack on any Czechoslovak leader and they do not seem to expect or want at this time to bring about Dubcek's ouster. Their aim appears to be to persuade him to rein in the more extreme liberals, whose policies Moscow finds threatening to the party's control.

Moscow may not be confident Dubcek can steer a moderate course, but it would be badly mistaken if it counted on the conservative elements to turn back the clock without armed intervention by the USSR, a step that it is probably hesitant to take.

Although the Dubcek regime has not bowed to Soviet pressure tactics, it is now attempting to mollify the USSR. Reports of a party conference in Prague on 12-13 May suggest that Dubcek apparently intends to move against dogmatic party members and the

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extreme liberals, although he will still continue the party's reform program.

On 14 May, Premier Cernik, in another gesture to Moscow, re-

affirmed that Prague's foreign policy is based on cooperation with the USSR and the socialist countries. Cernik also played down reports of discord between Prague and Moscow.

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The Czechoslovak party reportedly has also asked its journalists--who have been polemicizing with Soviet, Polish, and East German news media--to exercise voluntarily some measure of restraint.

Probably in reaction to the Soviet tactics, National Assembly chairman Josef Smrkovsky, who accompanied Dubcek to Moscow and is a leading spokesman of the party liberals, called for an end to indiscriminate criticism of the party, declaring that it will not "permit anyone to imperil the principles of socialism."

At the central committee plenum later this month, a date will be set for the controversial party congress at which the liberals had hoped to oust conservatives and Novotny supporters from the central committee. Now, however, the liberals may be somewhat restrained by the knowledge that the USSR will assess their performance critically in order to judge the future course of developments in Czechoslovakia.

The current crisis in Czechoslovak-Soviet relations seems to be leading to a further polarization of Communism in Eastern Europe. A special relationship

may possibly develop between Rumania and Yugoslavia on the one hand and Czechoslovakia, the latest backslider, on the other. Bucharest is reported to have already criticized Moscow for last week's "little summit" to which Czechoslovakia and Rumania were not invited. Yugoslav Foreign Minister Nikezic suddenly visited Prague from 13 to 15 May, presumably to demonstrate Belgrade's support and to give advice on how to deal with Moscow's pressures.

Relations between these three independently minded countries and Poland and East Germany are likely to become increasingly strained, particularly if the Prague press continues to criticize the internal developments of their northern neighbors and Pankow persists in its subversive campaign "to influence the atmosphere" in Czechoslovakia.

Hungary and Bulgaria are not as free to express their views on the current conflict. Nevertheless, the Hungarian regime has been sympathetic to Czechoslovakia. The Bulgarian press has not touched on the current developments in Czechoslovakia, which reflects both Sofia's caution as well as its inability to fully agree with the Soviet position.

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STUDENT-LABOR DEMONSTRATIONS TEST FRENCH GOVERNMENT

The massive student and labor demonstrations on 13 May, which took place on the tenth anniversary of General de Gaulle's return to power, have assumed major political significance. Recognition by the government of the widespread and serious nature of the present discontent could lead to a reshuffling of the cabinet in an attempt to placate the opposition. The Pompidou cabinet, however, is not likely to be overthrown.

Although the student disturbances that began two weeks ago have been led by "new left" revolutionaries, the overwhelming majority of the demonstrators want reform of the archaic university system. Because of harsh police tactics, the students gained widespread public sympathy and the support of professors and deans. The government has now given in to most of the student's major demands, including amnesty for students convicted during last week's riots. The students and their professors, therefore, have now taken a major first step toward becoming an independent factor in French politics.

The student riots crystallized urban worker discontent with what labor leaders label the lack of "dialogue" between the working class and the Gaullist government. In an unprecedented show of unity, all of France's major labor unions joined together to proclaim a general strike on a clearly po-

litical issue, and marched with students in a massive "people's parade" of over 300,000 on 13 May. The goals of the unions are to focus attention on their own demands for social reform and to create a climate favorable to the opposition political parties.

Francois Mitterrand's Federation of the Left and the French Communist Party are attempting to use the student crisis to further their own ends. Although the federation and the Communists made substantial gains in the parliamentary elections in 1967, they have not been able to translate their new voting strength into effective political power in the National Assembly despite the Gaullists' lack of a formal majority. Since March 1967, the two parties have presented five different censure motions, but all have failed to gain the 244 votes required to overturn the cabinet.

Unless there are unexpected defections from the ranks of those who voted with the Gaullists on past motions, a new motion directed against the government's handling of the student crisis will also fail when it comes to a vote next week. Even so, the government may be forced to comply with opposition demands for a dismissal of the ministers of interior and education. This would be counted as a major gain for the left in its struggle with Gaullism.

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FRANCO-SOVIET MILITARY COOPERATION PLODS ALONG

Franco-Soviet military exchanges, now in their third year, have so far been of only marginal value to France though perhaps of slightly greater worth to the USSR. Most of the cooperation continues to be of the showcase variety, primarily involving exchanges of military delegations.

The Soviets have pushed for more extensive contacts but the French Government has been dragging its heels, claiming it is studying Soviet requests. Efforts to expand cooperation have been openly criticized by some French military officers.

Paris has given little publicity to Franco-Soviet military visits and exchanges. The British press disclosed, a month after the fact, that a detachment of eight Soviet paratroopers underwent training in France in October 1967. This resulted in a public furor in France and further paratroop exchanges were canceled. A detachment of French paratroopers had attended the Higher Airborne Command School at Ryazan in the Soviet Union earlier in 1967. The year before, 86 members of the French equivalent of the US National War College toured the USSR. The Soviets sent a return delegation of 38 members from their General Staff Military Academy in 1967.

Pierre Messmer, French armed forces minister, visited a naval academy and air installations in the USSR this April, and also observed low-level tactical exercises. During his stay, the So-

viets requested an exchange of military observers at national maneuvers, but the French are reported to be reluctant to do so. The French Navy plans to send two vessels with student officers to Leningrad this coming July for a third annual naval exchange visit.

The contradictions in Franco-Soviet military cooperation were evident during the ten-day visit last October of Marshal Zakharov, chief of the Soviet General Staff. He was refused access to the air force's underground command post at Taverny because a NATO exercise under way at the time was testing French air defenses against a Soviet offensive into West Germany. Zakharov also told his hosts that he regarded the new AMX-30 main battle tank, of which the French are so proud, as "too high and clumsy."

One of the consequences of Franco-Soviet military cooperation is the concern of NATO members that France may be a security risk. In one instance, German Defense Ministry officials were disturbed to learn that France had demonstrated for Soviet officers two tactical missiles developed jointly by France and Germany. NATO members also were concerned because the Soviet paratroop detachment, which caused the public furor in France, trained at the same airborne training school near Pau where NATO officers formerly had trained.

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MIDDLE EAST - AFRICA

UN conciliator Jarring has shifted the locus of his talks with the Arabs and Israelis to New York, where he still faces the problem of getting agreement on either direct or indirect discussions between the two sides.

Arab commandos in Lebanon twice shelled Israeli targets during the week, bringing Lebanon into the terrorist campaign for the first time since the June war. Lebanese officials, unable either to restrain the increasingly popular terrorists or to ignore the threat of Israeli retaliation, are openly nervous.

Elements on both sides of the long-simmering war in Yemen are said to be interested in putting an end to the conflict, but contentious tribesmen in both camps seem certain to frustrate any efforts toward peace.

Softly worded public statements by the Shah of Iran and Saudi King Faysal have opened the way for a reconciliation between the two monarchs. If the Shah reschedules his canceled visit to Saudi Arabia quickly, public animosity over conflicting Persian Gulf interests could be damped down.

Peace talks between the Nigerian combatants have been scheduled for 23 May in Kampala, Uganda, but prospects for an early cease-fire or the settlement of basic differences remain dim. In the only recent important military action in the civil war, federal troops seized the multimillion-dollar oil refinery near Port Harcourt, but probably will have difficulty in taking the city itself.

In Kenya, President Kenyatta made a brief public appearance on 11 May.



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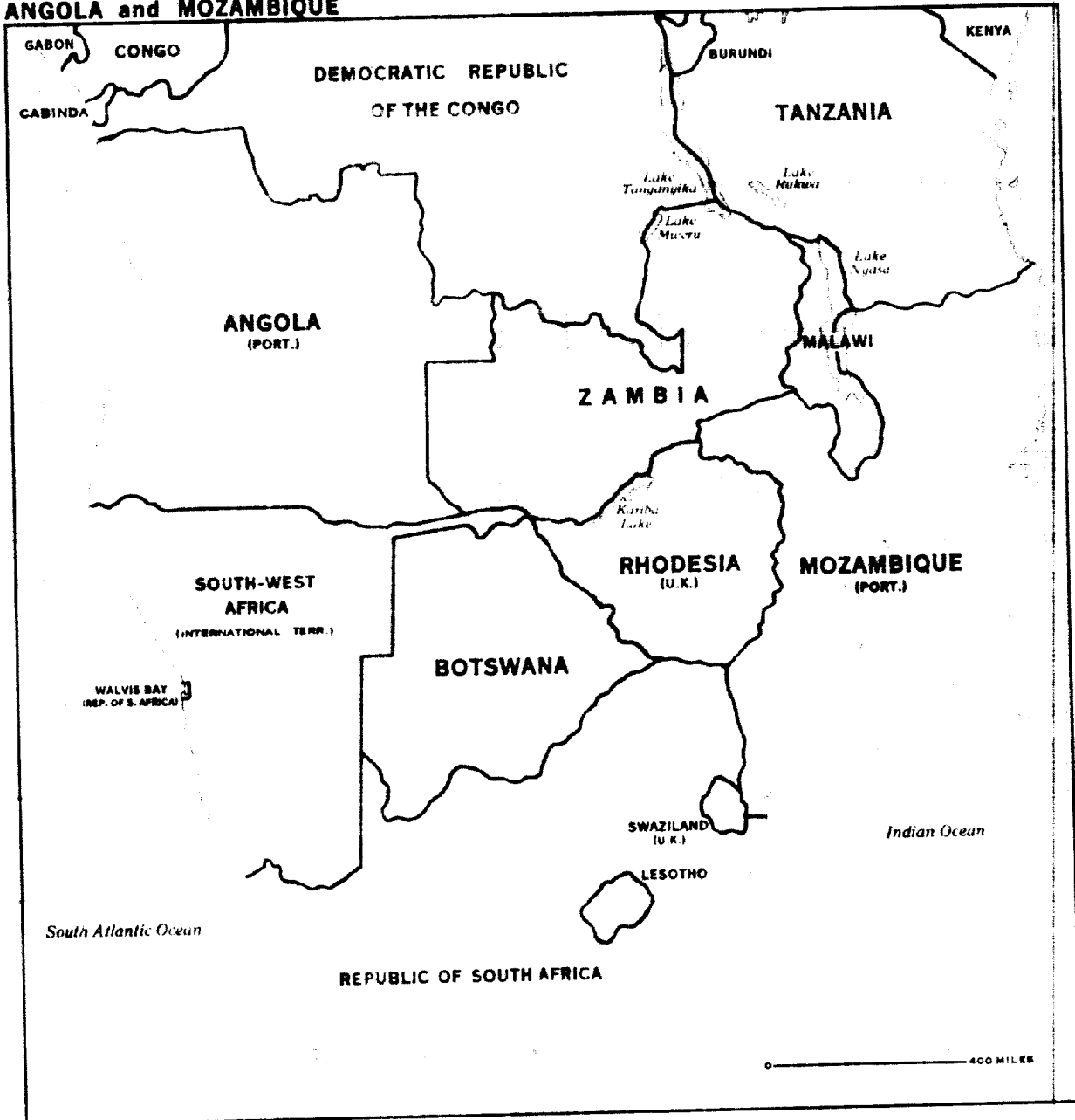
India's Congress Party won a clear majority of 15 over the combined opposition in the 81-seat Haryana State assembly in the first state-wide polling since the 1967 general elections. The victory should give the Congress organization a substantial psychological boost as it prepares for more important elections to be held later in Uttar Pradesh and West Bengal states.

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ANGOLA and MOZAMBIQUE



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PORTUGUESE AFRICA ATTRACTING FOREIGN INVESTORS

Extensive mineral resources have been attracting large-scale foreign investments into Angola and Mozambique despite continuing problems with insurgency in these Portuguese overseas territories.

The bulk of foreign activity is concentrated in Angola, where several major undertakings have already been initiated. The largest investment is being made by a US oil company, which is exploiting petroleum deposits offshore from Cabinda. Some \$125 million will have been spent to develop these deposits by the end of this year, when production is scheduled to begin. Crude-oil production is expected to reach at least 150,000 barrels per day by 1970.

Nearly \$100 million has been invested by Western sources to develop iron-ore deposits in southern Angola, where reserves total an estimated 120 million tons of high-grade ore. Exploitation of these deposits has already begun and production is expected to reach 5.5 million tons annually. In addition, a number of Western firms are interested in other Angolan mineral deposits, which would require large investments.

In Mozambique, foreign interest in developing the area's mineral resources has been more recent. A Japanese firm reportedly has decided to invest some \$50 million to exploit high-grade iron-ore deposits in northern Mozambique, where reserves are believed to total 360 million tons. This would be the largest single foreign private investment in Mozambique to date. Development of other iron-ore deposits nearby is now under consideration by a group of British, South African, and German firms, and several other companies are prospecting for additional mineral deposits. A number of foreign companies have become involved in oil exploration, and investments by these firms over the next few years is expected to exceed \$10 million.

The willingness of foreigners to invest heavily in Angola and Mozambique reflects a belief that the rebels do not pose a threat to their investments. Although the guerrillas are active in both territories, the Portuguese have restricted them to areas of unknown or doubtful economic value. Only the oil project at Cabinda is near insurgent activity, and guerrilla operations there have been very limited.

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SUDANESE ELECTIONS GUARANTEE RADICAL GOVERNMENT

Moderate political forces in the Sudan lost heavily in the general elections concluded last week.

Former prime minister Sadiq al-Mahdi's moderate faction of the Umma Party won fewer than 40 seats in the country's 218-man Constituent Assembly. The radical Democratic Unionist Party (DUP)--a coalition of the urban-based National Unionist Party and the basically pro-Egyptian People's Democratic Party--captured over 100 seats and also holds the allegiance of another faction of the Umma led by the imam of the Ansar sect. The new government has not yet been named, but will certainly be led by members of the DUP and the imam's faction of the Umma, who control the present cabinet.

Sadiq himself lost his seat in the assembly, but reportedly now plans to run in a by-election in some safe constituency that will be vacated by one of his supporters. Despite prospects of support from splinter parties and southern assembly members, however, Sadiq's chances of influencing the policies of the new government are minimal. His refusal last year to cooperate with leaders of the National Unionist Party seems to have

killed his chances of regaining leadership of the country for the foreseeable future.

Several leaders of the DUP are now jockeying for the prime minister's post. The office will probably go to anti-Western Muhammad Mahjoub, leader of the previous government, but the president of the People's Democratic Party, Sheikh Ali Abdul Rahman, has also expressed an interest in the office. Whoever leads it, the new government will certainly follow the policies initiated by its predecessor of tightening ties with the USSR and adhering to a strident Arab nationalist line.

Further confusion was brought to the Khartoum scene by the murder last week of William Deng, a long-time leader of the southern Sudanese. Southerners have since been demonstrating against the government, attributing Deng's death to Arab troops in the south, but the government claims that he was killed by southern insurgents. The southern Sudanese have been in rebellion against the Arab north for close to ten years, and the situation remains one of the most serious problems the new government will have to face.

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WARM WORDS THAW SAUDI-IRANIAN RELATIONS

Amicable public statements by Saudi King Faysal and the Shah of Iran appear to be clearing the way for a reconciliation between the two monarchs.

Saudi-Iranian relations have been at an impasse since early February, when disputes over the status of Bahrain and of oil reserves in the Persian Gulf caused the Shah to cancel his visit to Saudi Arabia. At issue specifically was a Saudi-Bahraini communiqué in which the Saudis stated their support for the government of the Iranian-claimed island. During the three months since the cancellation of the Shah's visit, both rulers, believing themselves to be the aggrieved party, awaited a conciliatory gesture from the other.

King Faysal appears to have broken the deadlock in a published interview with a Kuwaiti journalist, in which he recognized that Iranians as well as Arabs have rights and interests in the gulf. Faysal referred to the "traditional friendship" between Iran and Saudi Arabia, and said that the Shah would be welcome to visit.

The Shah, meanwhile, had stated in another published interview that Iran, Saudi Arabia, and Kuwait should cooperate in gulf affairs and expressed a desire to visit "the friendly neighboring country as soon as possible." Although the Shah's interview was hedged by references to Iranian "rights" in the

gulf, Iranian officials said that he would have been even more forthcoming had the tenor of Faysal's interview been known.

A rescheduling of the Shah's visit to Saudi Arabia is crucial to any genuine reconciliation. Until the two monarchs are able to deal directly, rather than through sometimes overzealous underlings, the issues outstanding between their countries are not likely to be resolved. The Shah is reported to be very pleased by Faysal's remarks, and the Iranian press has given wide and highly favorable coverage to the King's interview.

An apparent Iranian misreading of one Faysal statement may prove to be a stumbling block, however. Faysal is quoted as saying that he has no desire to "build bridges" in the gulf, a statement that the Iranian press has taken to mean abandonment of the controversial project to build a causeway between Saudi Arabia and Bahrain. Saudi officials state, however, that the King was only speaking figuratively, and that the causeway is still under consideration.

In addition, the Shah may await the outcome of Moroccan mediation attempts and King Faysal's scheduled interview with an Iranian journalist before making a definite decision on a trip to Saudi Arabia. Any such delays would provide new opportunities for semantic and other difficulties to arise.

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SOUTHERN YEMEN ARMY CONSOLIDATES ITS POSITION

The army has made no direct move against the governing National Liberation Front (NLF) regime, but it is taking steps to suppress the Front's left-wing paramilitary arm, the "People's Guard." Meanwhile, aid negotiations with Britain have been broken off, and the regime is desperately searching for aid from other sources.

In Aden, the army and the public security forces have been quietly but systematically disarming the People's Guard and apprehending its leaders. House-to-house searches have been made in some districts and many weapons have been confiscated. In addition, there have been fragmentary reports of fighting in upcountry areas. [redacted]

[redacted] the army first undertook a campaign among the tribesmen to expose the People's Guard as a group of atheists bent on destroying religion and on taking away tribal lands. The tribes then cooperated with the army in disarming the People's Guard in most of the Western Protectorate.

A left-wing leader detained in Aden after one of the army's initial roundups escaped last week to the rebellion-prone eastern region of the country. His presence probably inspired the abortive uprising that subsequently occurred in the area and

the renewed blasts of leftist propaganda emanating from Jukalla, the eastern capital. This remote area will probably prove to be the last stronghold of left-wing resistance.

Eastern defiance of Aden's authority is forcing the NLF leadership to choose between loyalty to former comrades and adherence to the general sentiment in the country. President al-Shabi's speeches indicate that Aden has chosen the second course and will use the army, formerly considered its chief opposition, against the left wingers.

Meanwhile, aid talks with the British were broken off on 10 May when the regime became convinced that the British were not going to increase their offer of about \$6 million for a ten-month period. No dramatic action against the British is likely, however, because some \$12 million of the current agreement remains unpaid and the regime hopes to obtain this money as soon as possible. A Southern Yemeni delegation is apparently slated to go to Moscow shortly to talk about aid. So far, however, the Soviets have offered only military equipment, and not the cash that the regime needs to stave off economic chaos. [redacted]

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WESTERN HEMISPHERE

Domestic politics constituted the major news from Latin American countries this week.

Most of the attention was focused on last Sunday's elections in Panama, which were characterized by even more fraud and intimidation than is usual. Both of the presidential contenders, David Samudio and Arnulfo Arias, are claiming victory. The government appears to be delaying release of the final results, which are being juggled to favor Samudio, for fear of touching off further violence.

Bermuda is in its final week of campaigning before National Assembly elections on 22 May. For the first time in history, traditional white rule over the island is being challenged by the Negro majority. In the Dominican Republic, municipal elections were being held on 16 May, with the main opposition party urging abstention as a protest against the Balaguer government.

It appears that British Honduras will ask London to set up a conference that would eventually lead to the colony's independence. The proposed treaty that would have settled the long-standing dispute between Guatemala and Great Britain over British Honduras has already been rejected by the colony.

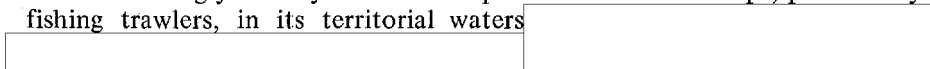
In Chile, the Communists are moving ahead in their plans to form a broad leftist front for the congressional elections next year and the presidential election in 1970. Early this week the Communist Party and the leftist-controlled Radical Party issued a joint declaration calling for unity of all "progressive forces" to defend democracy. The statement also attacked the Frei government and challenged his party's "inefficient and undefined" policies.



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The Brazilian Government is still holding the Soviet space event support ship Kegostroy, and will not release it until the Soviets apologize in writing for their "involuntary violation" of Brazilian waters. Brazil has been increasingly touchy about the operation of Soviet ships, particularly fishing trawlers, in its territorial waters

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PANAMANIAN GOVERNMENT RIGGING ELECTION RESULTS

The outcome of last Sunday's voting has still not been announced officially, but both candidates are claiming victory in the turbulent aftermath of an election marred by widespread fraud and intimidation. The National Guard and progovernment goon squads played a prominent role in attempting to ensure the election of official candidate David Samudio.

An outburst of violence between the opposing political factions on Monday evening resulted in the death of two opposition members and caused the progovernment, three-member electoral tribunal to delay release of unofficial tallies. Most sources, however, indicate that the tribunal is stalling for time in order to manipulate the final vote in Samudio's favor. The National Board of Election Returns, composed of members of all political parties and subsidiary to the tribunal, is scheduled to begin the official count on 18 May, but it is still uncertain when an announcement of the winners will be made.

the tribunal will be unable to certify the final results before June or July, but that when it does "Samudio will win by about 6,000 votes." In addition, the government is preparing to "select" the winners of seats in the 42-member unicameral assembly to guarantee Samudio a safe majority in that body.

According to prearranged plans, the Robles government

apparently intends gradually to increase the margin for Samudio on the basis of late returns from the interior. The election was unusually disorganized, and delays at the local vote-counting centers have slowed the forwarding of polling records to Panama City. It is possible that vote-juggling at these levels is partially responsible for the procrastination.

National Union leader Arnulfo Arias may be unwilling to stand by passively while the government seeks to cover up its fraud. He is claiming to have won the election by a majority of over 45,000 votes. If the tribunal does not declare his victory, Arias has threatened to turn his followers loose "to act as they see best." Under these circumstances, a new round of disorders could occur.

any serious breakdown in public order would prompt the guard to take over the government. After Monday's rioting, Vallarino issued a communiqué stating that the guard would recognize the citizen who has been elected constitutional president through the popular will. Although this somewhat ambiguous statement suggested that Vallarino might not accept the "citizen" blessed by the electoral authorities, any independent judgment on his part would encounter vigorous opposition from some of his senior guard commanders.

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CONFRONTATION BUILDING IN ARGENTINA

President Ongania and General Julio Alsogaray appear to be building up to an eventual confrontation.

Relations between the President and his army commander in chief have deteriorated since Alsogaray's appointment in late 1966. Alsogaray is a leader of the moderate or so-called "liberal" faction in the government that favors strict compliance with the "Statutes of the Revolution," the outline of economic, political, and social reforms promulgated by the military when it took power in June 1966. His brother Alvaro, who is Argentina's ambassador to the US, is another influential leader of the moderates and has been helping put pressure on Ongania.

The moderates are strongly opposed by the conservative, nationalistic faction that has talked about establishing a corporate state, similar in some respects to that of Franco's Spain. They envisage the development of councils at the municipal, provincial, and national level made up of delegates from labor, business, civic, social and other organizations. The councils would pass on legislation generated by the executive.

President Ongania, a retired general, is reported to be very sympathetic to his conservative advisers, but he has shrewdly maintained a position aloof from both sides. Ongania is aware of General Alsogaray's maneuvering to gain support in the military and among civilian politicians, and he also knows that Alsogaray is an ambitious but not very popular officer. The President has let it be known that he will deal firmly with any attempt by Alsogaray to dominate or remove him.

General Alsogaray faces possible retirement in December 1968 after he completes the standard two-year assignment as army commander. Some of Alsogaray's maneuvering may be a sincere effort to prevent the conservatives from gaining sway over the President, but a good deal of it seems to be an attempt to avoid giving up the influential and prestigious army post.

It seems probable that President Ongania will try to undermine Alsogaray's position in the army, making it easier for him to be replaced. Alsogaray's attempts to counter this effort will create further frictions, but neither the President nor the general is ready for an open clash at this time.

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PRESIDENTIAL RACE BROADENS IN ECUADOR

The presidential campaign in Ecuador is no longer a two-man race. Steady gains by center-left candidate Andres Cordoba may give him second place on 2 June, although either demagogic Jose Maria Velasco or conservative Camilo Ponce is still likely to win. Even if Velasco loses, his help will almost certainly secure a potentially influential senate post for extremist Carlos Julio Arosemena, ousted from the presidency in 1963.

The erosion of Velasco's initial lead in the campaign for the first national elections under Ecuador's new constitution is a result of several factors. Although he is still vigorous at 75, the four-time President seems to have lost some of his zest for campaigning. Moreover, a confusing registration program has disenfranchised many eligible voters, particularly in the lower classes most responsive to Velasco's charismatic appeal in past elections. In addition, his refusal to disavow Carlos Julio Arosemena's support has estranged some of his more moderate supporters and has probably reduced the flow of badly needed campaign funds.

In this situation, Arosemena's campaign contributions, some of obscure origin, have improved his own bargaining position with Velasco. Most importantly, he achieved his aim of having his name placed at the top of the velasquista congressional slate in Guayas Province. Given

Ecuador's proportional voting system and Velasco's strength in that coastal province, this top listing is tantamount to election. Arosemena hopes to use his proven political skill to become president of the senate, a position following the vice presidency in presidential succession.

Arosemena's penchant for extremist associations and activities, not to mention alcohol, makes him anathema to Ecuadorean military leaders. They are already concerned over recent extremist-led student outbreaks which have closed schools and forced the education minister's resignation. Arosemena's possible re-emergence in a position of political power might overcome the aversion to political action they have displayed since the military junta was ousted in 1966.

Meanwhile, ex-president Ponce's coalition has been weakened by internal differences in the Conservative Party. The Psychedelic Cybernetic candidate, representing the "brown-skinned masses," failed to gain enough signatures to be able to register for the election. Interim President Otto Arosemena's request that the Organization of American States (OAS) send observers to the elections has caused some adverse comment in Ecuador and could embarrass former Ecuadorean president and incoming OAS Secretary General Galo Plaza Lasso.

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BERMUDAN ELECTIONS CHALLENGE TRADITIONAL WHITE RULE

Bermuda's general elections on 22 May will bring the first real challenge to traditional white rule in the island's history. The elections, the first since suffrage was extended to all citizens over 21, offer the two-thirds Negro majority an opportunity for a greater voice in the 40-member National Assembly.

The predominantly white United Bermuda Party (UBP) is being challenged by the overwhelmingly Negro Progressive Labor Party (PLP), which is stressing "black power" in its appeal to the 55 percent of the registered voters who are Negro. The PLP's radical image, however, may cause some Negro voters to throw their support to the small and more moderate biracial Bermuda Democratic Party.

The expansion of the voting rolls, together with recent re-districting and the impact of the race issue, make the election outcome uncertain, but the UBP appears to have a slight edge because the electoral boundaries are in its favor. Recognizing its need to attract Negro votes, the UBP has adopted a position supporting racial integration and is running 13 Negro candidates.

British officials believe that a UBP victory could provoke outbursts of violence similar to the racial disturbances last month. The British troops airlifted from London to help control these disturbances will remain until after the elections.

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